Cathedral City

REDEVELOPMENT AGENCY

REDEVELOPMENT IMPLEMENTATION PLAN

FOR

PROJECT AREA #1

PROJECT AREA #2

PROJECT AREA #3

December 2004

Prepared by

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CITY OF CATHEDRAL CITY

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PROJECT AREA #1 REDEVELOPMENT PLAN

Adopted: November 29, 1982

1st Amendment: February 6, 1991

2nd Amendment: December 14, 1994

3rd Amendment: January 28, 1998

4th Amendment: July 9, 2003

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PROJECT AREA #2 REDEVELOPMENT PLAN

Adopted: November 29, 1983

1st Amendment: December 14, 1994

2nd Amendment: January 28, 1998

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PROJECT AREA #3 REDEVELOPMENT PLAN

Adopted: November 30, 1984

1st Amendment: December 14, 1994

2nd Amendment: April 28, 1999

3rd Amendment: July 9, 2003

4th Amendment: November 25, 2003

5th Amendment: July 28, 2004

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CHAPTER I

INTRODUCTION AND PROCESS OVERVIEW

BACKGROUND ON ASSEMBLY BILL 1290

Assembly Bill 1290, which was adopted by the California legislature and signed by then-Governor Wilson in 1993, became effective January 1, 1994. Among the many changes it made to redevelopment law and practice, it added Section 33490 to the Health and Safety Code. This section requires redevelopment agencies to produce Implementation Plans every five years.

The first Implementation Plan, which was to be adopted prior to January 1, 1995, was required to include a number of components:

- Specific goals and objectives for each project area.
- Specific projects and expenditures proposed to meet those goals and objectives during the next five years.
- An explanation of how these goals, objectives, projects and expenditures will eliminate blight.
- An explanation of how the goals, objectives, projects and expenditures will implement the low- and moderate-income housing set-aside and housing production requirements set forth in the Health and Safety Code. The explanation must contain a housing program for each of the five years of the implementation plan with sufficient detail to measure performance.
- The number of housing units to be developed, rehabilitated, price-restricted, assisted or destroyed.
- Plans for using the annual deposits to the Housing Fund.
- If the Implementation Plan contains a project which will result in destruction of existing affordable housing, an identification of proposed locations suitable for the replacement housing the Agency will be required to produce.
- The affordable housing production plan (AB 315 Plan), which has been required since 1992 will be combined with, and contained in, the overall Implementation Plan, not produced as a separate document.

The second, and each subsequent Implementation Plan, according to the 2004 edition of the California Redevelopment Law (Health and Safety Code 33000, et. seq.) is required to include low- and moderate-income housing and non-housing related components, including the following:

- The number of housing units to be developed, rehabilitated, price-restricted, assisted or destroyed.
- Plans for using the annual deposits to the Housing Fund.

- If the Implementation Plan contains a project which will result in destruction of existing affordable housing, an identification of proposed locations suitable for the replacement housing the Agency will be required to produce.
- The affordable housing production plan (AB 315 Plan), which has been required since 1992, will be combined with, and contained in, the overall Implementation Plan, not produced as a separate document.

In all instances, the Agency adopts its Implementation Plan after holding a noticed public hearing. Notice of the hearing must be posted in at least four locations in the project area for a period of at least three weeks ending at least ten days prior to the hearing. Notice of the hearing must also be published once a week for three weeks in a newspaper of general circulation. The first notice must be posted and published at least 31 days prior to the hearing in order to meet the requirement that the last notice be completed at least ten days before the hearing.

Between two and three years after the adoption of the Implementation Plan, an Agency must hold a public hearing to review the Redevelopment Plan, and the last Implementation Plan. This hearing is required to be noticed in the same manner as the Implementation Plan is noticed, as described above. The Agency can include more than one redevelopment project area in a single Implementation Plan and hold a single public hearing to adopt or review that Implementation Plan.

The Affordable housing production plan must be consistent with the community's Housing Element and must be reviewed and, if necessary, amended at least every five years in connection with the Housing Element or the Implementation Plan cycle.

Finally, AB 1290 made material changes in the definition of "excess surplus" in the Agency's low-and moderate-income Housing Fund. It shortened the period of time allowed to spend such funds and made the consequences of not spending them much more severe. Now, for example, failure to spend housing funds in a timely manner can impair the Agency's ability to expend other, non-housing funds. The Implementation Plan must examine how long housing funds have been held by the Agency and ensure that a rational method of producing affordable housing is in place.

BACKGROUND ON ASSEMBLY BILL 637 and SENATE BILL 701

These two additional restrictions on the expenditure of locally-controlled affordable housing funds went into effect on January 1 of 2002. The bills require that, over a 10-year period, local housing funds be invested in conformance with the relative percentages-of-need demonstrated by each income category and the percentage of elderly within the local population, according to the adopted Housing Element and Regional Housing Needs Assessment (RHNA).

For Cathedral, the requirement indicates that (over a 10-year period) 38.8% of local housing funds will be invested for Very Low Income, 26.5% for low-income housing, and 34.7% for moderate income housing. Also, not more than 14% of local funds can be spent for age-restricted housing.

Since January 2002, the Agency expenditures and commitments have spent or committed to spend approximately 17% of funds for very low income, 17.4% for low income housing, 65.6% for moderate income housing and about 20.7% for age-restricted housing. In order to approximate the required ratio of expenditure, this means that, before January of 2012, the Agency will need to concentrate future expenditure of local funds primarily in the areas of low and very-low-income, non-age-restricted housing. In dollar amounts, this means about $13.5 million for very low income, about $7.9 million for low income housing, and no more than around $1.4 million for age-restricted affordable housing.

PLAN ADOPTION PROCESS

The adoption of the Implementation Plan for Cathedral City's three Redevelopment Project Areas has proceeded through the following schedule:

1. the Implementation Plan was prepared by Agency Staff.
2. A draft document was sent to Agency/City staff and legal counsel for comment.
3. The comments of Agency/City staff and the Agency's legal counsel were incorporated into the final version of the Plan, which was made available to the public for review and comment.
4. Notices of the required Public Hearing were published in The Desert Sun on the following dates:

    1. November 13, 2004
    2. November 20, 2004
    3. November 27, 2004

5. Notices of the Public Hearing were posted in the Project Areas at the following locations:

    Project Area #1
    1. Cathedral City Civic Center
    2. 2nd Street Park
    3. Fire Station #1
    4. Cathedral City Senior Center

    Project Area #2
    1. Panorama Park

2. Landau Elementary School
3. Cathedral Palms Apartments
4. Fire Station #2

Project Area #3

1. Cathedral City Public Library
2. Cathedral City High School
3. Nellie Coffman School
4. Fire Station #3
5. Cathedral City Public Library

CHAPTER II

HISTORY OF REDEVELOPMENT IN CATHEDRAL CITY AND OVERVIEW OF EXISTING PROGRAMS

HISTORY OF REDEVELOPMENT IN CATHEDRAL CITY

Cathedral City has had an active redevelopment program since Project Area #1 was adopted on November 29, 1982. It has been amended five times; on February 6, 1991 to make the plan a more effective tool for community revitalization, on December 14, 1994, as directed by AB 1290, on January 28, 1998 to merge Project Area #1 with Project Area #2 to create greater flexibility in the use of generated funds and to generate funds above those previously allowed, on July 9, 2003 to adjust the Project Area boundaries and extend the ability of the Agency to use eminent domain through 2015 and on July 28, 2004 to extend the life of the Redevelopment Plan by one (1) year pursuant to SB 1045.

Project Area #2 was adopted on November 29, 1983 and amended on December 14, 1994, as directed by AB 1290, on January 28, 1998 to merge Project Area #1 with Project Area #2 to create greater flexibility in the use of generated funds and to generate funds above those previously allowed and on July 28, 2004 to extend the life of the Redevelopment Plan by one (1) year pursuant to SB 1045.

Project Area #3 was adopted on November 30, 1984 and amended four times: on December 14, 1994 as directed by AB 1290, on July 9, 2003 to amend the Project Area boundaries, on November 25, 2003 to remove the time limitation for the Agency to incur debt related to the Project Area and on July 28, 2004 to extend the life of the Redevelopment Plan by one (1) year pursuant to SB 1045.

Since the first project area was adopted, the Agency has added a variety of programs. These programs are accomplishing the goals of the redevelopment plans. During this planning period, a particular focus has been placed on the downtown area of the City, which has already seen significant new construction with the new Civic Center, Town Square, the Desert IMAX Theater, the Pickford Theater, a 1125 space parking structure, and a 22,000 square foot retail complex currently under construction. Projects under contract (Disposition and Development Agreement or Owner Participation Agreement) for development include a 300 room conference center hotel, an 18 hole golf course, 128 room condo-hotel and commercial center, a 90 room limited service hotel, 75 very low income affordable senior apartments (Tierra del Sol project), with new 5,000 sq. ft. Senior Center), 61 units of affordable family housing, 75 units of condo-style housing (53 of which apartments are restricted to moderate income) and 25,000 additional square feet of commercial space.

FUNDS AVAILABLE OVER THE LAST THREE YEARS

The funds available to the Agency have seen a steady growth over the last three years. Both the gross tax increment and housing set-aside amounts available to the Agency are shown in Table 1.

TABLE 1
GROSS TAX INCREMENT AND HOUSING FUNDS AVAILABLE
2002-2004

	2002-2003	2003-2004	2004-2005	TOTAL
GROSS FUNDS AVAILABLE	$ 19,513,006	$21,000,400	$23,555,890	$64,069,296
HOUSING FUNDS AVAILABLE	$ 3,870,152	$ 4,280,000	$ 4,711,178	$ 12,861,330

RECENT ACCOMPLISHMENTS OF THE AGENCY

Housing

Since the adoption of the last Implementation Plan, in December 1999, the Agency has completed a number of housing projects, totaling 690 units, towards fulfilling its obligations under the Redevelopment Law. Accomplishments include:

- Completion of Park David Apartments with 240 senior apartments affordable to low and very-low income seniors
- Completion of the 90 units in Northwood Canyon Vista Apartments with 81 units restricted to low-, very low- and moderate income rents.
- Entered into a disposition and Development Agreement for the construction of 61 units of affordable family housing adjacent to the Mary Pickford Theater (Cathedral Towne Villas).
- Entered into a Disposition and Development Agreement to facilitate construction of Heritage Park, an affordable senior apartment community with 153 low- and very-low income senior units to be occupied by December 31, 2004.
- Entered into an Owner Participation Agreement to facilitate construction of Creekside, an affordable family apartment community with 185 low- and very-low income family units to be occupied by December 31, 2004. Creekside includes 40 two-bedroom, 105 three-bedroom and 40 four-bedroom apartments.

- Entered into a Disposition and Development Agreement and broke ground on 75 units of HUD section 20-2 assisted housing for the elderly (over 62) in Tierra del Sol (with Mercy Housing).
- Adopted and began implementation of the Dream Homes Revitalization Program for lower-income households in the Dream Homes neighborhood, including formation of a sewerage assessment district.
- Adopted and implemented the 35th Avenue Sewer Assessment District.
- In cooperation with Habitat for Humanity, Building Horizons and the Coachella Valley Housing Coalition (CVHC) the Agency will have assisted in the completion of 16 affordable owner-occupied "self-help" homes by December 31, 2004.

In addition, the Agency has continued its home-owner assistance programs (CHIP, ADFAP, SHARP) in assisting approximately 250 home owners with repairs and improvements and assessment assistance with their affordable homes..

Non-Housing

Since the adoption of the last Implementation Plan, the Agency has been very active in the downtown core and along East Palm Canyon Drive and in other parts of the City. It has:

- Seen the construction and occupancy of the 14 screen Mary Pickford Theater.
- Entered into a Disposition and development Agreement and began construction of 22,100 square feet of commercial space across the street from the Mary Pickford Theater.
- Completed construction of an 1125 space parking structure to provide parking needed for downtown.
- Built a pedestrian bridge across the storm channel from Downtown to the commercial area on the north.
- Rebuilt and expanded the East Palm Canyon Drive bridge just east of Date Palm Drive.
- Completed construction of a 100 room hotel just north of Downtown.
- Completed relocation of Cathedral City Elementary School.
- Completed construction of Town Square with its award-winning Fountain of Life.
- Assisted in forming a not-for-profit corporation to build and manage a 300 room convention center hotel and entered into a Disposition and Development Agreement with that not-for-profit.
- Broke ground on Plaza de Oro, a commercial project to ultimately consist of retail, office and condo-hotel buildings. The Condo-hotel is to include 160 high end units which will be available for rent when the owner is not in residence.

- Entered into an Owner Participation Agreement for the development of a championship 18 hole golf course to support the 300 room hotel and the proposed condo-hotel.
- Entered into Owner Participation Agreements for the expansion of five existing new car dealerships.
- Entered into a Disposition and Development Agreement for the development of a 90 room limited service hotel.
- Entered into a Disposition and Development Agreement for an additional 25, 000 square feet of commercial space and 75 units of family housing.
- Acquired 81.86 acres of land for future park and open space development.
- Received a donation of approximately two (2) acres of land with a 16,000 square foot commercial building on it.
- Leased the 16,000 square foot building for an interim location for an ice rink.
- Prepared and published a Request for Proposals for development of the 2 acres and building.
- Completed extension of Perez Road south of East Palm Canyon Drive.
- Began the acquisition process for an old, dilapidated mobile home park (Desert Hills Mobile Home Park).

CHAPTER III

BLIGHTING CONDITIONS IN CATHEDRAL CITY

AB 1290 strengthens the connection between the Agency's actions and the elimination of blight. This chapter summarizes the blighting conditions found at the time the Redevelopment Plans were adopted and, in the case of Project Area #1, at the time of its amendment in 2003.

These descriptions of area blight are extracted from the Project Area #1 Redevelopment Plan and Amendment, Project Area #2 Redevelopment Plan, and Project Area #3 Redevelopment Plan and highlight the blight that will be the focus of specific activities of this Implementation Plan.

<u>Project Area #1</u>

- The existence of numerous buildings with a variety of land uses that are built lot line to lot line with no provision for off street parking.
- Lack of adequate circulation and numerous access problems.
- No definition of a commercial core.
- A high-density residential area that is suffering from deterioration, disuse and economic dislocation.
- Inadequate buffering of industrial uses from residential and commercial uses.
- Inadequate flood control and drainage, including lack of curbs and gutters on most streets.
- Homes built for seasonal use are now being used year around.
- Commercial uses that are aged, obsolete and deteriorated and are mostly built on small lots of irregular size and shape due to the diagonal orientation of East Palm Canyon Drive.
- Lack of adequate sewer system causing potential contamination of ground water.
- Significant overcrowding of residential units.

<u>Project Area #1 Amendment Area</u>

- The existence of buildings suffering from economic dislocation and disuse.
- Properties requiring replanning, redesign and/or redevelopment and which could not be accomplished by private enterprise acting alone without public participation and assistance.

Project Area #2

- Inadequate drainage.
- Economic dislocation, deterioration and disuse causing the area to be an economic strain on the community.
- Lack of adequate circulation.
- Inadequate public improvements, facilities and utilities.
- Depreciated values that impair investment and cause social and economic maladjustment.
- Lack of adequate water and sewer facilities.

Project Area #3

- Inadequate public improvements, public facilities, open spaces and utilities.
- Age, obsolescence, deterioration, dilapidation, mixed character or shifting of uses.
- A prevalence of depreciated values, impaired investments and social and economic maladjustment.
- There are lots or other areas that are subject to being submerged by water.
- Economic dislocation, deterioration or disuse resulting from faulty planning.

CHAPTER IV

GOALS AND OBJECTIVES

HOUSING GOALS AND OBJECTIVES

The City's Housing Element is a detailed policy document that is a part of the City's General Plan. The Housing element was accepted by the State in 2001. The Implementation Plan is prepared in conformance with the adopted Housing Element.

The following generalized goals have been identified as a summary of the community's intended direction and are supported by its policies and objectives. Such goals, policies and objectives set the parameters within which future actions and programs will be developed and implemented, as resources permit. By inclusion in this Plan, they become the Agency's housing goals.

1. To provide for and maintain an adequate supply of affordable, safe and healthful housing available to all people regardless of sex, marital status, race, color, religion, ancestry, national origin, physical handicap, sexual orientation and domestic partnership status, with freedom of access and choice for housing consumers at all economic levels in each and every sub-market of the city.

2. To ensure that housing affordable to lower-income households continues to be part of the new housing inventory, both as a replacement for current, substandard housing and as an addition to the housing supply.

3. To achieve the highest quality living standards throughout the City, including the affordable housing inventory, by improving and enhancing existing neighborhoods and housing.

The following section outlines how the Agency's goals will be implemented through objectives, policies and programs.

1. Objective: The Agency will seek to ensure that new additions to the affordable housing supply include a full range of housing available to all income levels and household compositions.

    Policy: Encourage a variety of residential development that promotes the availability of housing to all segments of the community recognizing such factors as: age, income, family size, single person households and mobility.

Program: The Agency will continue to work with private developers to encourage the inclusion of affordable housing within new housing projects.

Program: The Agency will pursue opportunities to include prototype higher-density housing in conjunction with redevelopment of the East Palm Canyon Drive commercial corridor.

Program: The Agency shall develop incentives and programs for the development of affordable units.

Policy: Promote housing assistance and affordable housing to accommodate families and individuals disadvantaged in the housing market, and provide incentives to stimulate the production of low-, very low- and moderate-income housing.

Program: Study and evaluate Federal, State and local financing options which are appropriate for the community, and which will help to subsidize and encourage quality-housing production that is affordable to low-, very low- and moderate income households.

Program: Utilize Redevelopment Agency housing staff to study, develop and promote innovative programs for financing home construction and ownership for low, very low- and moderate income households (self help program).

Program: Study possibilities and alternatives for mitigation of escalating land costs that constrain low- very low- and moderate income housing affordability (density bonuses, mixed use, and other such programs).

Program: Allow and encourage development of publicly assisted affordable housing where appropriate and compatible with existing and planned uses. Continue cooperation on housing projects with the Riverside County Housing Authority and other County, State and Federal agencies.

Program: Allow and encourage development of non-profit developed housing where appropriate and compatible with existing and planned uses. Continue cooperation on housing projects with viable non-profit housing agencies.

2. Objective: The Agency will seek to ensure that existing older housing remains an affordable, safe and healthful alternative for the housing needs of people.

Policy: The Agency will provide assistance and incentives to the rehabilitation of existing housing units that are substandard, unsafe or unhealthful, or units that are in eminent danger of so becoming.

Program: Continue to identify and monitor areas of substandard housing units.
Develop tools and programs that will motivate landlords to repair and maintain substandard properties.
Staff will work with other community organizations to disseminate information on programs that assist with housing maintenance and rehabilitation for special needs groups (i.e. seniors, handicapped, low-income households, etc.)

3. Objective: Handicapped or special needs households will continue to have housing opportunities within the Project Areas.

Policy: The Agency will seek to assist those persons with special housing needs.

Program: Maintain the Office of Housing Assistance to identify and contact households with special needs (i.e. handicapped, homeless, overcrowded, poor, elderly, overpaying, etc.)
Program: Provide direct one-to-one assistance to identified special needs households by advising them of programs that may assist their situation.

4. Objective: The Agency will be aware and have documentation of housing related forecasts, conditions, needs and housing element implementation activities and achievements.

5. Objective: Encourage the renovation or upgrade of older, substandard housing located near the East Palm Canyon Drive Central Business District and major arterial streets.

Policy: Support progressive and innovative efforts by property owners and developers to achieve a balance of appropriate uses along major arterials and the East Palm Canyon Drive corridor, with special consideration for households with limited mobility and transportation (elderly, handicapped, etc.).

Program: Provide incentives for new multi-family residential developments to locate near existing or proposed commercial activities or other appropriate sites.

Program: Higher density multi-family residential developments should be located and designed to provide convenient access to commercial, employment, educational and recreational activity centers.

Policy: Ensure that adequate replacement housing is available to special needs households within the redevelopment areas.

Program: Encourage, when compatible with surrounding uses, mixed uses in areas of transitional development such as higher density residential, retail commercial and compatible light industrial activities.

Program: Multiple family residential projects should be encouraged near the Central Business District to provide a transition between residential and commercial areas.

6. Objective: Provide a safe, attractive and balanced residential environment.

Policy: Carefully consider increased capacity of the streets, utilities and parks that may be needed because of increased population.

6.1.1 Program: Review transit needs of the community (i.e., bus, taxi, bike lanes, bridges, air services) with special attention to the needs of the elderly, low-income workers, children and the handicapped.

6.1.2 Program: Review open space needs of the community; i.e., recreational areas, playgrounds and "passive" open space, with special attention to the needs of the elderly, low-income workers, children and the handicapped.

6.1.3 Program: Review utility needs of the community (i.e., water, sewer, storm drainage) with special attention to those areas with a lack of needed infrastructure.

6.1.4 Program: Identify and specify ways to construct and finance infrastructure needs in neighborhoods and communities with a lack of public facilities.

6.2 Policy: To the maximum feasible degree, housing and residential development shall, by design, encourage safe living.

6.2.1 Program: Continue to improve and maintain adequate street lighting in existing neighborhoods.

6.2.2 Program: Assist in providing neighborhood infrastructure and amenities improvements required of specific developments in direct relationship to impacts and benefits received, concurrent with population increases.

6.2.3 Program: Encourage “crime-free housing”, particularly in multi-family projects.

6.2.4 Program: Provide assistance to communities that show an interest in establishing neighborhood watch programs.

6.2.5 Encourage on-site management at all multi-family housing.

7. Objective: Preserve or enhance existing neighborhoods.

7.1 Policy: Provide incentives for homeowners to upgrade or enhance homes in existing neighborhoods.

7.1.1 Program: Areas of identified deteriorating or substandard housing shall be reevaluated for planning purposes.

7.1.2 Program: Continue to give priority to infrastructure improvement to neighborhoods that demonstrate a commitment to self-improvement.

7.1.3 Program: Utilize Agency staff to disseminate information on assistance available to low-income homeowners for repairs and rehabilitation.

7.1.4 Program: Staff will continually assess available local, state and federal funding and programs for possible incorporation into community development projects.

7.1.5 Program: Support community beautification programs and encourage and promote cleanup and fix-up programs by local service organizations.

7.2 Policy: Sustain and Enhance neighborhood identification and quality of life.

7.2.1 Program: Identify, support and enhance neighborhoods and districts and citizen groups representing those neighborhoods and districts.

7.3 Policy: Discourage the encroachment of undesirable and incompatible uses in residential areas.

7.3.1 Program: The Agency will continue to assist the City’s code enforcement program emphasizing neighborhood Target Areas in order to maintain and upgrade living conditions in the neighborhood.

7.4 Policy: Encourage the development of vacant parcels in existing neighborhoods when their use will not be detrimental to the quality of the neighborhoods.

7.3.1 Program: Provide incentives for development of vacant parcels in existing neighborhoods so as to enhance community stability and desirability.

7.3.2 Program: Identify opportunities to develop neighborhood recreational, open space and park opportunities in existing neighborhoods that are under-served.

7.4 Policy: Encourage community organization at the grass roots.

7.4.1 Program: Provide incentives for neighborhoods to form neighborhood organizations to partner with the City in crime prevention, neighborhood enhancement and community pride.

7.5 Policy: Stabilize neighborhoods by encouraging owner-occupancy.

7.5.1 Program: Provide incentives for conversion of rental single family and duplex properties to become owner-occupied residences.

7.5.2 Program: Provide incentives for developers to acquire foreclosed properties, rehabilitate them and sell them to owner occupants.

7.5.3 Program: Develop a process to ensure that foreclosed duplex and single-family housing units do not become poorly managed rental properties.

7.5.4 Program: Provide opportunities for homeowners to obtain information and training on how to be good and effective homeowners.

NON-HOUSING GOALS AND OBJECTIVES

The goals and objectives for each project area are described in the original Redevelopment Plans. Project Area #1 was reconfirmed during the amendment process in 1991 and again in 2003. The goals and objectives of each of the three Redevelopment Plans are restated below:

Project Area #1

- Public improvements including improving and widening of East Palm Canyon Drive, formerly Highway 111, providing sewers, flood protection and improved fire protection.

- Providing assistance to low-and moderate-income residents of the Project Area through grants for weatherization and rehabilitation.
- Promoting the development of the Auto Park.
- Encouraging the rehabilitation or replacement of the commercial properties.

Project Area #2

- Street improvements, including curbs, gutters and pavement reconstruction or refurbishment.
- Other public improvements including providing sewers, flood protection and fire protection.
- Encourage reconstruction and new construction of commercial structures along Ramon Road and provide off-street parking.

Project Area #3

- Full street improvements or street reconstruction in the previously developed subdivided areas of the City.
- Construction or replacement of sewer lines and treatment facilities as necessary to implement the development contemplated in the General Plan.
- Construction or replacement of water lines and waster treatment facilities as necessary to implement the development contemplated in the General Plan,
- Construction of storm drains and flood control facilities as required to protect the health and safety of the City's residents.
- Construction of municipal facilities including police and fire stations and civic center.
- Construction of municipal recreational facilities including tennis courts, swimming pools and parks.
- Site acquisition and construction of elementary, middle and high schools.
- Rehabilitation of existing facilities.

Downtown Goals

- To restore Cathedral City's historic Downtown (located in Project Area #1) as the social and symbolic "Heart of the City" in order to revitalize the identity and investment climate of the City as a whole.
- To reverse the forces of disinvestments that have been causing the deterioration of the Downtown residential neighborhood, and promote the creation of a distinctive livable "in-town" neighborhood.
- To make Downtown a place that accommodates a rich and vibrant pedestrian environment with a wide variety of services, shops, places to eat,

entertainment and cultural offerings, capable of appealing to residents and visitors alike.

- To make the portion of Palm Canyon Drive that passes through Cathedral City a “Grand Boulevard” of international renown (completed).
- To make Cathedral City the best city in the Coachella Valley - the city with the most successful Downtown, the most appealing neighborhoods, and the most attractive city for investment in job-creating commercial development.

CHAPTER V

NEEDS THAT ARE REQUIRED TO BE OR CAN BE ADDRESSED BY REDEVELOPMENT

In Response to the generalized blighting conditions described in Chapter III, specific needs have been identified that, when met, will eliminate or alleviate the blight. In addition, the Agency could have additional housing production requirements, depending on whether or not specific activities have occurred. This Chapter V establishes which, if any, of these requirements may be met and identifies more specifically needs to eliminate blight.

The following definitions will help in understanding this Chapter V:

- Above Moderate - - households with income above 120% of County median income
- Moderate income - - households with incomes ranging from 80% to 120% of the County median income.
- Low income - - households with incomes ranging from 50% to 80% of the County median income.
- Very low income - - households with incomes below 50% of the County median.
- Extremely low income - - households with incomes below 30% of the County median.

<u>SPECIFIC HOUSING NEEDS DUE TO REDEVELOPMENT AGENCY ACTIVITIES</u>

One-for-One Replacement Housing Requirements

Section 33413(a) requires that any dwelling unit that is destroyed by Agency action or assistance and is, or could reasonably be expected to be occupied by a low- or moderate-income household must be replaced on a one-for-one basis. These replacement units must be affordable to persons or families of the same income level as those deemed to be displaced and must have the same number or more bedrooms as those units destroyed. A lesser number of dwelling units may be sufficient so long as the total number of bedrooms is equal to or greater than the number of bedrooms destroyed. One exception to the one-for-one rule allows units outside the project area to be constructed on a two-for-one basis as compared to those removed.

Through June 2004, 321 very-low- income units (with 439 bedrooms) were removed from the City's housing stock through Agency action. The units were comprised of the following:

- Suntown Mobile Home Park – This Park was acquired by the Agency as part of the site for the Civic Center. It contained 206 spaces, of which sixty-eight (68) were occupied by full time residents.
- Another 70 low-income rental units were acquired and razed for the Civic Center and downtown commercial projects.
- An additional 183 very low-income units were removed in anticipation of the proposed 300 room conference center hotel, Mercy senior housing, Arbours-Tri-Millennium "Southside " and "LINC Housing" projects, including some miscellaneous substandard units for future development and elimination of blight.

A total of 294 very-low-income replacement units (with 427 bedrooms) have been (or are currently being) constructed to meet the Agency's 2004 obligations. This leaves 27 units to be built during the effective time of this Implementation Plan. Current planned construction will leave the Agency with sufficient replacement units and the required number of replacement bedrooms. Future development is expected to concentrate more on larger family units that will contain more bedrooms per unit.

It is anticipated that another 150 units will need to be replaced over the next five years. The current and future needs of the Agency are summarized in Table 2.

TABLE 2
ESTIMATED REPLACEMENT HOUSING NEEDS
2004-2009

PROJECT	2004-05	2005-06	2006-07	2007-08	2008-09	TOTALS
EXISTING NEED	27					27
ANTICIPATED	15	90	15	15	15	150
TOTALS	42	90	15	15	15	177

*It is anticipated that an additional 150 units, with approximately 195 bedrooms, are likely to be razed due to further redevelopment activity during the next five years

Inclusionary Housing Requirements

In order to ensure that a portion of each city's redevelopment activities produce affordable housing, the legislature has provided several requirements related to affordable housing. The most commonly discussed requirement establishes the 20% set-aside mandate wherein 20% of all tax increment funds generated by the project must be used by the community to provide or improve affordable housing. Only by making a series of findings affirming that there is no unmet affordable housing need can a city or county avoid setting aside this 20%. These findings are extremely difficult for most communities to make, so most communities set aside the required 20%.

The other provision that has been imposed requires that certain percentages of the housing developed within a project area must be affordable to low-, very low-and moderate-income households. For all new or substantially rehabilitated units developed by the Agency, at least 30% must be affordable to low- and moderate-income households, with at least half of those units (15% of the total units developed by the Agency) affordable to very low-income households. At least 15% of all new or substantially rehabilitated housing units developed by any public or private entity within a project area, when taken in the aggregate, must be affordable to low- and moderate-income households with at least 40% of those units (6% of the total new and substantially rehabilitated units) affordable to households with very low incomes. In order for the housing unit to count towards these requirements, it must be available for the longest feasible time, but not less than 55 years for rental housing and 45 years for owner-occupied housing.

These requirements apply in the aggregate, not to each specific project or project area, but it is important to keep in mind as the smaller percentage applies to all housing in a project area whether facilitated or funded by the Agency or not. Thus a 200-unit subdivision built within a project area to satisfy general market demand and completed without any inclusion of affordable units would trigger a requirement that 30 affordable units be built somewhere else within the the City. Since these 30 units require building permits and thus would also trigger a 15% Inclusionary requirement, a total of 35 new affordable units must be built to satisfy the inclusionary requirement if they are constructed outside of a 200 unit subdivision if none of those units were included within the 200 unit project.

The Cathedral City Agency is currently meeting or exceeding the minimum state requirements for affordable Inclusionary housing.

There were building permits issued for a total of 11,772 new housing units to be built within the three project areas since the projects areas were first formed. 240 units were also substantially rehabilitated (in Cathedral Palms and Casa San Miguel). This would create a requirement for 1,802 inclusionary units.

Upon completion of affordable housing projects currently under construction (Creekside, Heritage Park, Cathedral Towne Villas and Mercy Housing), 1,857 of the currently-permitted, new-construction and major rehabilitation units will have restrictions on their continued affordability. Of these 1,857 units, 369 are designated as being used as replacement units for very low-income units that have been (or are being) removed from the housing stock, leaving 1,488 units to apply as "inclusionary units" for low-, very low-, or moderate-income households. An additional 532 pre-existing units have "acquired affordability covenants" (450 from CHIP; 82 from the re-finance of Novo Ocotillo Place), for a total of 2,020 units of inclusionary housing. Therefore, by the end of 2006 and with the combination of new construction and acquired affordability on 532 existing units, a total of 2,020 units will apply to meeting the 1,762-unit minimum inclusionary housing requirement created prior to July 1, 2004. That will leave an extra 258 affordable units to apply to the inclusionary requirement of subsequent construction or as the replacement of demolished units.

Based upon an analysis of the build-out capacity of the Project Areas (estimated by the planning department at about an additional 6,500 units at build-out of current zoning of vacant parcels, both on Indian and non-Indian lands) and the expected housing demand over the next five and ten year periods, as well as for the remaining life of each project, housing construction within the three Project Areas is expected to continue to average approximately 600 units per year over the next five years. Thus an additional inclusionary requirement for 90 affordable units per year will be created; approximately 36 units of this annual inclusionary requirement must be affordable to very low-income households. This means that an additional 450 affordable units, 100 of which must be available to very-low income households, must be created over the next five years. Table 3 shows the anticipated schedule of inclusionary housing needs.

TABLE 3
INCLUSIONARY HOUSING NEEDS
2004-2009

	2004-05	2005-06	2006-07	2007-08	2008-09	TOTALS
EXISTING NEED	(258)					(258)
ANTICIPATED	90	90	90	90	90	450
TOTALS	(168)	90	90	90	90	192

The Agency does not expect to develop any units by itself, but rather will work with private for-profit or non-profit developers to provide housing at all required affordability levels.

For background purposes, building permits issued by the City within the Redevelopment Project areas since 1983 is presented in Table 4.

TABLE 4
BUILDING PERMITS ISSUED WITHIN PROJECT AREAS
1983-2004

YEAR	SINGLE FAMILY	MULTI-FAMILY	CONDOS	APART-MENTS	TOTAL	TOTAL IN RDA	CUMULATIVE IN RDA
1983	228	114	148	162	652	20	20
1984	390	219	669	0	1278	280	300
1985	371	583	280	0	1234	1234	1534
1986	819	588	204	0	1611	1611	3145
1987	256	191	66	0	513	513	3658
1988	500	176	133	0	809	809	4467
1989	864	311	44	0	1219	1219	5686
1990	379	123	0	10	512	512	6198
1991	210	70	0	0	280	280	6478
1992	207	41	0	0	248	248	6726
1993	93	19	0	0	112	112	6838
1994	263	0	0	80	343	343	7181
1995	174	2	0	0	176	176	7357
1996	133	0	0	0	133	133	7490
1997	97	2	0	0	99	99	7589
1998	298	6	0	89	393	393	7982
1999	390	6	40	240	676	676	8658
2000	486	28	0	0	514	514	9172
2001	492	26	0	90	608	608	9780
2002	664	28	0	0	692	692	10472
2003	386	37	0	348	771	771	11243
2004 est.	380	12	0	137	529	529	11772
TOTALS	8080	2582	1584	1156	13402	11772	

Summary of Affordable Housing Needs for 2004-2009

The estimated minimum affordable housing obligations of the Agency over the next five years can be summarized as follows: 150 units affordable to low-and moderate-income households and 250 units affordable to very-low income households (including 150 replacement units), for a total of 400 affordable units. Table 5 shows how those units are allocated between Inclusionary and Replacement Housing requirements.

TABLE 5
AFFORDABLE HOUSING NEEDS ESTIMATE
2004-2009

	LOW INCOME*	VERY LOW INCOME	TOTAL AFFORDABLE
2004 INCLUSIONARY NEED	(155)	(103)	(258)
2004-09 CREATED INCLUSIONARY NEED	270	180	450
2004 REPLACEMENT NEED		42	42
2004-09 CREATED REPLACEMENT NEED		177	177
TOTALS	115	296	411

*Virtually all of the Agency's affordable housing money will need to be spent to benefit low- or very low-income households in order to meet state-mandated percentages of expenditures by housing affordability level.

NON-HOUSING DEVELOPMENT

Downtown Revitalization

The Downtown Core development has seen the design and development of a Civic Center and Central Police Station and a Town Square. In addition, a 1100 space parking structure was built between the Civic Center, and the Desert IMAX Theater and Mary Pickford Theater were completed. Further development will include specialty retail and numerous restaurants, two hotels, and housing. All of these projects have or will help eradicate the blighting conditions resulting from inadequate infrastructure, economic dislocation, obsolete commercial uses and lack of a clearly defined commercial core.

Capital Improvements

A wide variety of capital improvements are anticipated to be constructed over the five years covered by this implementation plan. These improvements include but are not limited to:

- Continuing the construction of landscaped medians along Ramon Road and Date Palm Drive.
- Sewers in the Cove, 35th Avenue area and Dream Homes..
- Parkland development.
- Street improvements of East Palm Canyon Drive from Cathedral Canyon Drive to the west City Limits.
- Construction of a loop road from the Perez Road Extension to Canyon Plaza.

These projects will alleviate blighting conditions including lack of adequate circulation, inadequate public facilities and lack of adequate water and sewer facilities.

CHAPTER VI

REDEVELOPMENT AGENCY FUNDS AVAILABLE

FUNDS AVAILABLE OVER THE NEXT FIVE YEARS

The projections below indicate the probable revenues in terms of both net non-housing tax increment to the Agency (Table 6) and revenue to the Housing Set Aside Fund (Table 7) over the next five years. The figures are based on the 2004-2005 County of Riverside "Increment of Assessed District Value for Fiscal Year 2004-2005" with an increase in value of 2.5% in fiscal year 2005-06 and in each subsequent year. The Agency's share is approximately 58% of gross tax increments. Housing Set Aside Funds are calculated at 20% of gross tax increments, as provided in California Redevelopment Law.

TABLE 6
PROJECTED NON-HOUSING TAX INCREMENT
2004-2009

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	TOTALS
PROJECT AREA #1	$ 1,120,297	$ 1,153,906	$ 1,188,524	$ 1,224,179	$ 1,260,905	$ 5,947,811
PROJECT AREA #2	$ 4,654,903	$ 4,794,551	$ 4,938,387	$ 5,086,539	$ 5,239,135	$24,713,515
PROJECT AREA #3	$17,780,690	$ 18,314,110	$ 18,863,534	$ 19,429,440	$ 20,012,323	$94,400,096
TOTALS	$23,555,890	$ 24,262,567	$ 24,990,444	$ 25,740,158	$ 26,512,362	$125,061,42

TABLE 7
PROJECTED HOUSING SETASIDE FUNDS
1999-2004

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	TOTALS
PROJECT AREA #1	$ 224,059	$ 230,781	$ 237,705	$ 244,836	$ 252,181	$ 1,189,562
PROJECT AREA #2	$ 930,981	$ 958,910	$ 987,677	$ 1,017,308	$ 1,047,827	$ 4,942,703
PROJECT AREA #3	$ 3,556,138	$ 3,662,822	$ 3,772,707	$ 3,885,888	$ 4,002,465	$ 8,880,019
TOTALS	$ 4,711,178	$ 4,852,513	$ 4,998,089	$ 5,148,032	$ 5,302,472	$ 5,012,284

CHAPTER VII

IMPLEMENTATION PROGRAMS AND FUNDING LEVELS

The following programs are proposed as feasible and appropriate to address the blighting conditions that were identified at the time the Redevelopment Plans were adopted and still exist today. The inclusion of any program in this Implementation Plan does not constitute an approval of a specific program, project or expenditure and shall not change the need to obtain any required approval of a specific program, project or expenditure from the Agency or the City.

AFFORDABLE HOUSING

The Agency plans to meet its housing obligations through a variety of programs that will emphasize production of new housing in the Downtown Core area and limited infill new construction and substantial rehabilitation of existing deteriorated units throughout the entire City. The Agency will also take advantage of the ability to purchase long-term affordability covenants.

New construction programs are expected to assist private developers including both for-profit as well as non-profit sponsors. The Agency may assist those developers through land write downs, off-site and on-site improvements, payment of permits, fees and utility connection charges, interest rate write downs, underwriting pre-development costs, or issuing tax exempt mortgage revenue bonds. Such assistance may take the form of an initial cash contribution or annual contributions to assist a development meet operational or debt service costs with the reduced income generated by affordable rents. It is estimated that a typical new development would require assistance averaging $50,000 to $60,000 per rental unit in order to make the average three-bedroom unit affordable to a very low-income household. Due to currently escalating costs of both labor and materials and limited amounts of state and federal funding, this estimated local assistance need may increase substantially over the next 5 years.

Substantial rehabilitation programs would assist low- or moderate-income homeowners or rental property owners who may not otherwise be able to afford to replace deteriorated utility systems or rehabilitate deteriorated structures. In return, the income property owners would be required to rent their units at predetermined affordable levels. The eligible homeowners would remain in their improved homes at an affordable cost instead of either remaining in an affordable but substandard home or having to overpay for rehabilitated housing. Agency assistance would be in the form of low interest loans or grants. The average assistance for this program is estimated to be $25,000 to $50,000 per unit. A major condition for this type of program is that the rehabilitation must equal at least 25% of the after-rehabilitation value. State regulations also require that if interest-free or low-interest loans or grants are provided to homeowners, the Agency must include some method to recapture a portion of future appreciation if the home is sold or removed from the affordable housing supply.

Purchasing affordability covenants is a relatively new approach to affordable housing, initially authorized by AB 1290 and effective January 1, 1994. Although the enabling legislation is aimed at larger rental projects (and Cathedral City has obtained 82 affordable covenants in this way) Cathedral City is using 450 affordability covenants with home owners to provide some of its inclusionary owner-occupied affordable housing. Under this program, which is primarily directed at existing units that do not need major repairs, the Agency might provide minor rehabilitation assistance, pay for sewer connections to existing homes, or provide down payment assistance for first time homebuyers. In return for even minor assistance, an owner will frequently agree to maintain affordability, particularly if there is a way to terminate the affordability covenant by repaying the Agency's contribution. The average cost per unit for this program is estimated at $6,000 to $10,000 per owner-occupied home.

Table 8 shows what the anticipated cash flows are in the Housing Set Aside Fund for the period 2004-2009. A description of what comprises the various line items on Table 8 is as follows:

- The initial beginning balance was taken from the 2004-2005 budget document.
- Housing Set-Aside funds are 20% of the gross tax increment available to the Agency before calculating pass-through agreements.
- Interest is calculated on the year's beginning balance.
- Bond proceeds are the net proceeds available to the Agency for projects.
- Housing Office and Administration is taken from the 2004-2005 budget document and includes salaries and benefits, code enforcement administration and overhead costs.
- Debt Service includes debt service on existing as well as proposed housing debt.
- New Construction includes support for Habitat for Humanity projects and site design for private development, downtown housing projects, and other projects as approved..
- Neighborhood revitalization/rehabilitation is a comprehensive approach to improving neighborhoods and includes housing rehabilitation, neighborhood policing, crime-free housing and code enforcement.
- Opportunity Land Acquisition provides funds for opportunity acquisition of property for housing throughout the City.
- Affordability covenants are described above and can be used throughout the City.
- First time homebuyers/infill development activities assist low- or moderate-income households in acquiring homes anywhere throughout the City.

TABLE 8
ESTIMATED LOW- AND MODERATE-INCOME HOUSING FUND CASH FLOWS*

	2004-2005		2005-2006		2006-2007		2007-2008		2008-2009		TOTALS	
BEGINNING BALANCE	$ 36,301,008		$ 18,307,233		$ 3,156,193		$ 300,360		$ 242,193		$ 36,301,008	
HOUSING SETASIDE	$ 4,711,178		$ 4,852,513		$ 4,998,089		$ 5,148,032		$ 5,302,472		$ 25,012,284	
INTEREST @2.5%	$ 907,525		$ 380,181		$ 136,967		$ 4,523		$ 2,994		$ 1,432,191	
BOND PROCEEDS					$ 5,000,000		$ 6,000,000		$ 3,500,000		$14,500,000	
OTHER REVENUES	$ 757,057		$ 150,000		$ 250,000		$ 250,000		$ 250,000		$ 1,657,057	
GROSS FUNDS AVAILABLE	$ 42,676,768		$ 23,767,427		$ 13,483,186		$ 8,705,900		$ 9,300,720		$ 75,928,024	
DEBT SERVICE	$ 2,966,935		$ 2,469,958		$ 2,466,251		$ 2,803,360		$ 2,995,795		$ 13,702,299	
HOUSING OFFICE & ADMIN	$ 1,011,616		$ 1,071,313		$ 1,143,091		$ 1,198,188		$ 1,255,820		$ 5,680,027	
ERAF LOAN TO AGENCY	$ 648,658		$ 666,172								$ 1,314,830	
NET FUNDS AVAILABLE	$ 38,049,560		$ 19,559,985		$ 9,873,844		$ 4,704,352		$ 5,049,105		$ 55,230,868	
PLANNED EXPENDITURES												
		UNITS		UNITS		UNITS		UNITS		UNITS		UNITS
ADMINISTRATION	$ 4,026,687		$ 3,593,795		$ 3,773,485		$ 3,962,159		$ 4,160,267		$ 19,516,393	
NEW CONSTRUCTION	$ 7,100,000	399	$ 4,000,000	20	$ 7,500,000	93	$ 3,000,000	65			$21,600,000	577
NEIGHBORHOOD REVITALIZATION/ REHABILITATION	$ 2,625,302	35	$ 2,809,997	40	$ 300,000	20					$ 5,735,299	95
OPPORTUNITY LAND ACQUISITION	$ 8,690,338										$ 8,690,338	0
AFFORDABILITY COVENANTS	$ 400,000	50	$ 500,000	50	$ 500,000	50	$ 500,000	50	$ 500,000	50	$ 2,400,000	250
TOTAL PROGRAMS	$22,842,327	484	$10,903,792	110	$12,073,485	163	$ 7,462,159	115	$ 4,660,267	50	$57,942,030	922
ENDING BALANCE	$15,207,233	484	$ 5,478,693	594	$ 180,922	757	$ 119,769	872	$ 64,003	922	$ 64,003	

* See notes on previous page

CHAPTER VIII

OTHER FUNDS THAT MIGHT BE USED

In addition to tax increment received every year, the Agency can utilize other funds to accomplish its goals. Other programs could provide funding directly to developers and would help the Agency achieve its affordable housing goals.

A few relevant programs might include:

- The State of California funded Mobile Home Park Resident Ownership Program (M-PROP) may be available to assist in mobile home park renovations and acquisition by residents.
- The California Housing Finance Agency provides a number of below market interest rate loan programs for both rental and home ownership housing programs. Several CHFA programs are especially designed to work with Redevelopment Agency housing programs.
- The Riverside County Economic Development Agency administers grant and loan programs in support of housing, including the HOME and HOPE programs of the US Department of Housing and Urban Development, and the Mortgage Credit Certificate program.
- The Affordable Housing Program of the Federal Home Loan Bank provides grants and loans for low-income housing projects through its member banks.
- The Community Development Block Grant Program of the US Department of Housing and Urban Development, administered through the Riverside County Economic Development Agency, can provide funds for a wide range of activities In support of affordable housing, including infrastructure and public facilities.
- The United States Department of Agriculture has a number of loan programs for business and industry that may be utilized for building project-related infrastructure or facilities for businesses creating jobs in the community.
- The CDC Certified Development Corporation packages loans under the Department of Commerce Small Business Administration 504 and 7a programs for local business expansion.
- Federal or State Affordable Housing Tax Credits (either 4% or 9% Tax Credtis) as approved by the California Debt Limit Allocations Committee (CDLAC) combined with Affordable Housing Bonds.

APPENDIX A

Cathedral City

REDEVELOPMENT AGENCY

REDEVELOPMENT IMPLEMENTATION PLAN

REDEVELOPMENT IMPLEMENTATION TOOLS

REDEVELOPMENT IMPLEMENTATION TOOLS

In the last decade, many cities and counties have discovered, created and employed numerous resources for the development of affordable housing. Although a lack of federal dollars has reduced the subsidies available for affordable housing, this diminished presence has led cities and counties to design programs and build housing more suitable and complementary with local needs and objectives.

Besides carefully employing local land use powers, cities and counties with a commitment to building and preserving affordable housing can generate funds from several local sources, apply their powers of public finance and make available locally-owned land.

While many resources offer a community some local control over development, rarely is any subsidy source sufficient to develop affordable housing. However, by creatively applying several of these tools, a local government can make new homes appear where they otherwise would not and preserve existing housing where it might otherwise disappear. Local officials in many cities, working alone or with a county government, local builder or non-profit developer, have become dealmakers for affordable housing.

Although local resources can be keystones to successful projects, additional sources are almost always required. Fortunately, local governments also have access to other tools and subsidies for the development of affordable housing. Private sources of financing and funding are available and growing. Foundations, banks and private investors have become much more active in assisting in the development of affordable housing.

Surplus Land

One effective resource local governments have is the land it already owns. In addition, surplus land disposition policies of school districts, other public agencies, churches and even some private corporations requires those entities to notify and consider a first offer for purchase from other public bodies and non-profits interested in developing the land for housing.

Land Banking

The development of affordable housing depends, to a large degree, on the availability of a site. Land banking is a technique whereby a city or county, in anticipation of future development, acquires vacant land, underutilized sites or properties with the potential for reuse or rehabilitation. A local government may be able to buy land from other public agencies at a lower cost or before it comes on the market because state law gives local governments and non-profits priority in the purchase of surplus land. When resold or leased to a developer, restrictions for the development of affordable housing can be imposed.

Inclusionary Zoning

Typically, inclusionary zoning mandates that a percentage of any private residential development project be affordable to low- and moderate-income households. Many of the communities that have inclusionary zoning share some common features. For example, inclusionary zoning may only apply to projects of a certain minimum size, usually between five and ten units. Also, almost all of the communities allow either construction of the low-income units or payment of an in-lieu fee. The average set-aside requirement is that ten percent (10%) of the residential project be affordable to low-income households. The in-lieu fees, where permitted, may range from $10,000 per unit to as high as $100,000 per unit.

Inclusionary zoning, especially in communities that require the construction of the low-income units and do not allow an in-lieu fee payment, provides an opportunity for the for-profit developer to work with a non-profit developer. The for-profit developer proceeds with the project as planned and perhaps joint ventures with a non-profit developer to produce the required set-aside of affordable units. In this way, the special expertise and ability to access certain types of financing on the part of the non-profit developer can best be used to assist the for-profit developer to meet the requirements of a community with inclusionary zoning while at the same time providing affordable housing.

Special incentives to facilitate the implementation of inclusionary zoning can be provided in order to avoid negatively impacting the production of market rate housing. Those incentives may include reduced lot, setback or building size, or increased densities for the affordable units.

Mortgage Credit Certificates

This federally created, but locally run, program assists first-time homebuyers in qualifying for mortgages. The IRS allows eligible homebuyers with a Mortgage Credit Certificate to take 20% of their annual mortgage interest as a dollar-for-dollar tax credit against their federal personal income tax. This enables first time buyers to qualify for a larger mortgage than otherwise possible, and thus can bring home ownership within their reach.

Tax Credits for Low Income Housing

Both the federal and state provide tax credits to the private sector for the construction or acquisition and rehabilitation of very affordable rental housing. Since their inception in 1986, tax credits have been used to assist in financing many very affordable housing developments. While the utilization of the tax credits depend primarily on the project's developer, local governments can play a pivotal role in providing other needed subsidies to make the project work.

Private Financing

In recent years, major financial institutions have become involved in assisting in the development of low- and moderate-income housing. By making construction and/or permanent loans at favorable rates, banks and savings and loans have aided many affordable housing developments. Local governments can help local non-profits access these resources by leveraging public subsidies with private financing.

- The Community Reinvestment Act (CRA) directs the Department of the Treasury, the Federal Reserve System, the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board to encourage and assist the institutions they regulate to meet the credit needs of their communities. These agencies must assess the cord of their member institutions when evaluating applications for a charter, deposit insurance, branch relocation, mergers or other regulated transactions. As a result of the CRA, many major financial institutions have elected to actively participate in funding low- and moderate-income housing projects developed by non-profit corporations.

- Savings Associations Mortgage Company (SAMCO) is a statewide organization supported by stockholder savings institutions to provide financing for affordable housing projects. SAMCO has worked with non-profit developers to finance publicly assisted housing projects in which at least 51% of the units are affordable to low income households.

- California Community Reinvestment Corporation (CCRC) was formed to pool the resources of the state's banks to assist in financing affordable housing. The Federal Reserve Bank of San Francisco and the San Francisco Development Fund sponsor CCRC. CCRC plans to raise $100 million from member banks for below market rate loans to low- and moderate-income housing development.

- Affordable Housing Program (AHP) grants, administered by the Federal Home Loan Bank Board, can provide up to $10,000 per affordable unit through participating savings banks. It is funded through a semi-annual application process.

Housing Trust Funds

Housing Trust Funds can be funded by a variety of sources. One of the methods used in some of the larger cities in California is the collection of the interest earned on the security deposits of tenants. The money collected is deposited into a trust fund, which is typically used for different types of affordable housing. Other sources of financing trust funds include: a capture of some of the local transient occupancy tax (TOT), real estate transfer taxes, residential developer fees and linkage fees.

Rental Payment Assistance

Several local governments help qualified individuals or families locate and afford market-rate rental housing. For those having difficulty securing an apartment, loans or grants for all or a portion of the first and last month's rent as well as the security deposit can be made. To improve the affordability of housing, some communities provide limited monthly subsidies to low-income households.

HUD's Section 8 Rental Assistance Program makes vouchers available to local housing authorities on an entitlement basis. Section 8 certificates provide the difference between one-third of a household's income and the monthly cost of an apartment up to a certain standard price, which is set regionally and according to the number of bedrooms.

Community Development Block Grants (CDBG)

CDBG funds provide flexible federal dollars to local communities for use in the development of affordable housing or to undertake other community development endeavors. In recent years, block grants have been used to subsidize individual projects and operate local housing programs. HUD allocates these entitlement grants to cities with a population of 50,000 or more. Smaller cities can usually take advantage of county-administered CDBG funds (Urban County Program). Cities or communities in non-urban counties can compete for funds allocated to the state by HUD. The significant requirement for the use of the funds is that at least 51% of the funds benefit persons of low- or moderate-income.

CDBG funds may be used for a variety of projects. HUD suggests a few uses in particular: activities aimed at reducing costs for private development, e.g., site acquisition, improvement and payment of soft costs; public improvements to facilitate private development; housing acquisition and rehabilitation through loans, grants and loan guarantees; direct payment of rent or mortgage; housing counseling; and fair housing activities. Only in specific cases is new housing construction eligible for CDBG funds.

Several CDBG programs implemented in Riverside County are illustrative and described below:

- Home Improvement Program (HIP). This program assists low- and moderate-income homeowners in rehabilitating their home with low-interest loans and interest rates that vary based on the household size. Through this program, the existing housing stock is improved, upgraded and preserved.

- Senior Home Repair Program (SHR). This program is for seniors or the handicapped who own and occupy their home and are low-income. The purpose of the program is to eliminate substandard housing by providing minor repairs and to help preserve the homes of senior citizens.

- Rental Rehabilitation Program (RRP). The purpose of this program is to rehabilitate properties for use by low-and very low-income families. This loan program provides between 50-75% of funds necessary to rehabilitate rental-housing stock for occupancy.

- Fair Housing Program (FHP). The purpose of this program is to affirmatively further and ensure equitable housing opportunities for all persons and to promote open and inclusive communities in Riverside County. This is accomplished through a comprehensive program of information and education services, counseling, discrimination complaint processing, landlord/tenant mediation, technical assistance and training to the housing industry.

Municipal Bonds

Cities and counties, as well as housing authorities and redevelopment agencies, can play a direct role in the construction of housing by financing private or non-profit developers in the construction of rental housing. As, well, localities can issue mortgage revenue bonds to assist first-time homebuyers in the purchase of either new or existing housing. The bonds are paid off with revenues from debt service paid on mortgages issued pursuant to the bonds.

Although taxable bonds can be issued, tax-exempt financing is usually favored because the interest rates on such bonds are lower than conventional mortgage rates. Another local option is issuing municipal bonds for use by non-profit developers (501(c)(3) bonds) that are less restrictive than bonds issued for private purposes.

Federal and state restrictions require that local bonds be used to increase affordable housing opportunities with price and income guidelines for first-time homebuyers or, for rental housing, rent levels

Federal and State Direct Funding Sources.

Both the federal and state governments provide a variety of direct funding sources in addition to the CDBG program described above.

- California Housing Finance Agency (CHFA). This state agency provides mortgages for owner occupied and rental housing through the issuance of tax-exempt mortgage revenue bonds similar to those that may be issued by a city or county. Although the application process may be more cumbersome than dealing directly with a local jurisdiction, CHFA offers several advantages including built-in credit enhancement that is increasingly difficult to obtain in the private marketplace. Also, CHFA bonds combine several projects in one issue that reduces the cost of issuance and lowers the overall interest rate.

- Housing and Community Development Department (HCD). Another state agency, HCD administers the proceeds of statewide bond issues approved from time to time by California voters. These funds have been used for homeownership, rental and rehabilitation projects.

- HUD Section 202 Loans. These are long term, low interest loans to non-profit sponsors for the development of low-income senior projects.

- Federally Insured Loans. A variety of mortgage insurance programs are available through FHA, FNMA and GNMA. These programs allow for lower private capital investments, longer amortization periods and lower interest rates for single- and multi-family new construction.

- HOME. This federal grant program is tied closely to the CDBG Program and provides another source for partial project funding. It must be combined with other types of assistive financing.

Mobile Home Park Programs

Mobile home parks represent a significant portion of affordable housing for many communities. Frequently, however, they are often overlooked when it comes to developing programs to rehabilitate and conserve affordable housing. This may be due to the fact that habitability and safety standards are set by the state and in inspections and enforcement is generally left to the state as well. Several programs do exist, however, and are described below.

- MPROP. The State of California administers a Mobile Home Park Resident Ownership Program (MPROP) that provides financial and technical assistance for mobile home park residents who wish to purchase their mobile home park and convert it to resident ownership. The program provides loans at three percent (3%) simple interest to mobile home park resident organizations or individual park residents to finance resident park purchases and ensure affordable housing costs for low-income park residents.

MPROP was created as a result of Senate Bill 2240 (Seymour) of 1984 that appropriated $3 million for a revolving loan fund. SB 484 (Craven) of 1985 provided approximately $2 million annually for the program through a $5 per section surcharge on mobile home registrations. SB 2192 of 1986 deleted the December 31, 1986 sunset for the $5 fees. An additional $2.5 million was appropriated for the program in the 1986-7 State Budget. Senator Craven's SB525 in 1988 provided MPROP with an additional $1 million for the Mobile Home-Manufactured Home Revolving Fund.

The program is authorized to provide the three types of loans described below. This amount of funds available under each type of loan is limited to 50% of the eligible costs. A loan of up to 95% of the costs under limited conditions.

1. <u>Conversion Loans</u> provide interim financing to resident organizations for purchase and conversion costs such as: the acquisition of mobile home parks; loan origination fees and other financing costs; legal and professional fees; and rehabilitation costs. Repayment is required upon completion of the conversion. Interest-only payments are made during the three-year loan term unless the Department approves an alternative repayment schedule.

2. <u>Blanket Loans</u> provide long term financing to resident organizations for the conversion costs attributable to low-income spaces. The program of assistance must be adopted to direct the benefits of the blanket loan to low-income residents. This may be accomplished through rent subsidy, internal loans or other means. Blanket loans have monthly payments amortized over 30 years unless an alternative repayment schedule is approved.

3. <u>Individual Loans</u> provide long-term financing for low-income residents to purchase a lot or other individual interest in a mobile home park. The loans have monthly payments amortized over 30 years unless an alternative repayment schedule is approved. An alternative repayment schedule may include interest-only payments or a deferral of all principal and interest payment for the full term of the loan.

- <u>Rehabilitation.</u> Several cities have included mobile home coaches in home improvement programs or other rehabilitation efforts. Frequently addressed problems include deteriorated infrastructure within the park and inadequate foundations for the coaches.

Redevelopment

State law authorizes the use of redevelopment to make sites available for the construction of new housing, to provide subsidies for affordable housing and to aid in the preservation and upgrading of residential areas. A city or county can establish one or more project areas in need of redevelopment. The increased property tax revenue resulting form new private investment in the area goes to the local redevelopment agency. These tax increment funds may be used for public improvements in the district and for affordable housing development anywhere in the community. State law requires that 20% of all property tax increments in a redevelopment project area be set aside to subsidize new, existing or rehabilitated low- and moderate-income housing.

In addition to providing funds for a wide range of local housing programs, redevelopment enables a city or county to issue bonds and otherwise finance housing construction and to acquire land for new housing. Redevelopment agencies may also have eminent domain powers to acquire sites for housing both within and outside of a project area.

In the past redevelopment led to the demolition of affordable housing and the displacement of existing residents. Now, state law requires the replacement of all low- and moderate-income housing units removed by redevelopment, the relocation of tenants and home owners and public participation.

Several specific opportunities are provided by AB 1290 which has clarified some ongoing questions and added some flexibility to the process of meeting the housing needs as described below.

1. Definition of Substantial Rehabilitation. Previous law did not specify what level of housing "rehabilitation" triggers the project area inclusionary housing obligation, although it generally was concluded that some concept of substantial rehabilitation is inherent in the meaning of this term. AB 1290 specifies that inclusionary obligations only arise when either multi-family rental projects or single-family dwelling units are substantially rehabilitated using agency assistance. Under AB 1290, "substantial rehabilitation" means rehabilitation, the value of which constitutes at least 25% of the after-rehabilitation value of the dwelling, inclusive of the land value.

2. Housing Outside the Project Area. AB 1290 permits an agency to count units that are made available at affordable housing cost outside a project area toward the agency's project area housing production requirement, on a two for one basis: that is, two affordable units created outside a project area will count the same toward the inclusionary obligation as one unit created inside

the project area. This revision gives some flexibility to direct agency resources to more cost effective locations outside a project area in certain circumstances.

3. Aggregation Among Project Areas. Previous laws required an agency's affordable housing production responsibility to be fulfilled on a project area by project area basis. AB 1290 enables an agency to meet its obligation in the aggregate among designated project areas if the agency finds, based upon substantial evidence after a public hearing, that such aggregation will not cause or exacerbate racial, ethnic or economic segregation.

4. Price-Restricted Units. AB 1290 permits an agency to accomplish portions of its project area affordable housing obligation through the acquisition (by purchase or regulation) of long-term affordability restrictions on existing units that either are not presently available at affordable housing cost to low- and very-low income households, or are units that are presently available at affordable housing cost to low- and very low-income households, but that the agency finds, based upon substantial evidence after a public hearing, cannot reasonably be expected to remain affordable. These long term affordability covenants must be recorded against the property and remain in effect for the longest feasible time, but in no event for less than the longer of (a) 30 years, or (b) the duration of the land use controls of the redevelopment plan.

   At least 50% of the existing multi-family units for which an agency acquires long-term affordability covenants as satisfaction of the project area affordable housing obligation must be made available at affordable housing cost to very low-income households.

5. Single Family Units. Owners are often resistant to long-term price controls necessary to include owner-occupied housing in the inclusionary programs. AB 1290 provides a limited exception that would allow an owner-occupied unit to be counted toward the project area affordable housing production requirement even if the unit is sold at a price exceeding an affordable price before the expiration of the land use controls of the redevelopment plan. The AB 1290 exception requires that if any unit is sold over an affordable price, the agency must expend funds within three years to make another affordable unit at the same income level of the original one. If housing fund money is used for this purpose, the agency must also adopt a program that protects the agency's investment of funds, such as equity sharing between the owner and the agency.

Assessment Districts

While not exclusively for use in residential areas, assessment districts can play a role in providing financing for public infrastructure that can benefit residential areas.

Over the past 80 years, the California Legislature has enacted numerous pieces of legislation allowing cities and counties to create special assessment districts. Special assessment districts are authorized to make certain public improvements or provide services that are primarily for the benefit of the specific pieces of real property and their inhabitants. Since the benefits of improvements are assignable to specific properties, districts may levy special assessment charges against the benefiting properties to cover the cost of improvements or services. In some cases, assessments may be paid over a number of years and bonds issued to represent unpaid assessments.

Among the improvements authorized by various special assessment districts are items normally needed for new residential development. These include basic infrastructure elements like roads, sewers, utilities and drainage; additional physical improvements such as landscaping and lighting and such ongoing operation and maintenance activities as water service, electrical service, landscape maintenance and street repair.

Most districts can undertake major capital improvements by issuing special assessment bonds. Bonds may be issued under either the Improvement Act of 1911 or the Improvement Bond Act of 1915 to represent unpaid assessments. Through this mechanism, money necessary for improvements may be borrowed at municipal rate of interest and projects completed before property owners have paid their full assessments.

Currently, all special assessments on real property require an election by the affected property owners, and must be approved by a two-thirds majority.

Some of the more commonly used assessment district acts are discussed below.

1. <u>The Improvement Act of 1911</u> authorizes projects that deal with streets, places, public ways, property and rights-of-way under local legislative control. Included under the authorization are projects as diverse as curbs, gutters and gas mains.

   The total costs of improvements are assessed against benefited properties after improvements are completed. Total costs may be calculated to include acquisition costs, construction costs and incidental expenses such as engineering fees, attorney's fees, filing fees, notification costs and title searches. An individual assessment constitutes a lien against a specific individual parcel. Bonds may be issued under this Act or under the Improvement Bond Act of 1915.

2. The Municipal Improvement Act of 1913 allows for all improvements and acquisitions allowed by the 1911 Improvement Act along with some additions such as works and appliances necessary for providing water service, electric service, gas service, lighting and any other public service.

3. The Landscaping and Lighting Act of 1972 creates special assessment districts to install, construct, maintain and service landscaping and lighting improvements in "public places". A district may be subdivided into benefit zones and assessed differentially if each zone receives different degrees of benefit from improvements made. Improvements may include public lighting facilities, landscaping, statuary, fountains, other ornamental structures, curbs, gutters, walls, sidewalks, paving, water, irrigation, drainage or electrical facilities.

4. The Street Lighting Act of 1919 creates special districts to maintain and service street lighting systems and install a street lighting system owned by a public utility. A district may include all or any portion of those lands, abutting upon and benefiting from a district-maintained lighting system. Multiple but separate lighting systems may be consolidated into one overall maintenance district or separately maintained. Lighting systems maintained or serviced may be owned by a city, county, public utility, a public corporation or other person with whom a contract for such services has been entered into. Only a system owned by a public utility subject to the jurisdiction of the Public Utilities Commission may be installed under this enabling legislation.

5. The Street Lighting Act of 1931 creates special districts to maintain and service existing street lighting systems and to assess the cost against benefited properties. Lighting systems maintained by the 1931 Act districts need not be city-owned systems but may be the property of public utilities, public corporations or other persons with whom a contract for such services have been entered into.

6. The Municipal Lighting Maintenance District Act of 1927 creates lighting maintenance districts whenever the "public interest or convenience may require", and allows districts to contract out for the necessary maintenance services. A local government may order the expenses of maintaining and operating an already existing street lighting system to be assessed, either partly or wholly, upon the benefited property.

7. The Tree Planting Act of 1931 enables a local legislative body, through its park commissioners, park department or other similar entity to install, maintain and remove trees, shrubs and other ornamental vegetation within parks and along streets. The "entire cost" of such work may be assessed,

partially or wholly, against properties benefiting (i.e., fronting along improved streets) or be paid by the city.

8. Community Facilities Act of 1982, sometimes known as the Mello-Roos Act, became effective January 1983. This statute authorizes formation of community facilities districts, which are authorized to provide certain additional public services or facilities to be financed through elector-approved special taxes or funded through special taxes securing long-term debt for construction of public facilities.

   "Services" are defined as additional services performed by employees to provide police protection and/or fire protection and suppression services, including operation, maintenance and repair activities, to the extent they are in addition to those provided in the territory before the district was created.

   "Facilities" include the purchase, construction, expansion or rehabilitation of property, including, but limited to:

   - Local park, recreation or parkway facilities
   - Elementary and secondary school sites and structures
   - Libraries
   - Any other governmental facilities the legislative body is authorized to construct, own or operate.